

Message Text

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C O N F I D E N T I A L JAKARTA 0660

CINCPAC FOR POLAD

EO 11652: GDS
TAGS: EAID, ID
SUBJ: AID LEVELS FOR INDONESIA

REF: A. CINCPAC 272222Z DEC 74 B. STATE 0975

1. IN MEETING WITH FOREIGN MINISTER MALIK JANUARY 16 I CONVEYED POINTS ON BLEAK AID PROSPECTS IN WASHINGTON AS PROPOSED IN REF A AND AS AMENDED BY REF B.

2. IN RESPONSE MALIK ASKED HOW MUCH OF A REDUCTION DEVELOPMENT LOAN PROGRAM FOR FY 75 REPRESENTED OVER EARLIER EXPECTATIONS. I TOLD HIM \$40 MILLION DL FIGURE WAS REDUCTION FROM \$60 MILLION ORIGINALLY REQUESTED. GIVEN PRESSURES AGAINST FOREIGN ASSISTANCE AND PARTICULARLY AGAINST ASSISTANCE TO OIL PRODUCING COUNTRIES, \$40 MILLION FIGURE REPRESENTED SUBSTANTIAL INDICATION OF CONTINUING US INTEREST IN INDONESIA. PARALLEL WITH THIS IS GROWING LEVEL OF EXIM BANK COMMITMENTS TO INDONESIA WHICH SINCE SEPTEMBER APPROACHES \$100 MILLION MARK.

3. MALIK THEN ASKED ABOUT RESTRICTIONS IN TRADE ACT RELATING TO OPEC MEMBERS AND SAID "WHAT SHALL I TELL MINISTER OF TRADE?" I SAID BOTH PRESIDENT AND SECRETARY HAS DEPLORED THESE CONGRESSIONAL RESTRICTIONS AND SECRETARY HAS SAID HE WOULD SEEK CHANGES. I COULD ALSO CONFIDENTIAL

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SAY THAT WHILE FULL POSSIBILITIES OF COMPLICATED TRADE

LEGISLATION WERE STILL BEING EXPLORED, I HAVE BEEN LED TO BELIEVE THAT TRADE ARRANGEMENTS WITH INDONESIA WILL NEVERTHELESS BE POSSIBLE.

4. I MENTIONED THAT RESTRICTIONS IN TRADE ACT WERE INDICATIVE OF ATTITUDE TOWARD OIL PRODUCING STATES WHICH IS ALSO REFLECTED IN TREASURY POLICIES RELATING TO LOANS TO MULTILATERAL ORGANIZATIONS. US HAD AB-STAINED RECENTLY ON FIVE LOANS TO NIGERIA. I HAD DISCUSSED SPECIAL CIRCUMSTANCES OF INDONESIA WHEN I WAS IN WASHINGTON AND HOPED THAT FLEXIBILITY WOULD BE SHOWN IN APPLICATION OF THIS POLICY IN VIEW OF THESE SPECIAL NEEDS.

5. MALIK THANKED ME FOR EXPOSITION AND SUGGESTED I REVIEW THESE MATTERS WITH MINISTER PLANNING WIDJOJO WHOM I PLAN TO SEE WHEN HE RETURN FROM IRAN.

6. COMMENT: WE HAVE LAID GROUND WORK FOR POSSIBLE BLEAKER PROSPECTS IN FY 75. THIS DOES NOT MEAN, HOWEVER, THAT ABRUPT TERMINATION OF CONCESSIONAL AID WILL BE FULLY UNDERSTOOD OR ACCEPTED BY INDONESIAN LEADERSHIP. IT REMAINS OUR VIEW THAT SOME FY 76 CONCESSIONAL AID, EVEN THOUGH REDUCED, REMAINS IMPORTANT TO ACHIEVEMENT OUR OBJECTIVES HERE. NEWSOM

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